

**LAFAYETTE PARISH WATERWORKS
DISTRICT NORTH**

Lafayette, Louisiana

Financial Report

Years Ended December 31, 2013 and 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
BASIC FINANCIAL STATEMENTS	
Proprietary Fund Type:	
Enterprise Fund -	
Utility Fund statements of net position	4-5
Utility Fund statements of revenues, expenses, and changes in net position	6
Utility Fund statements of cash flows	7-8
Notes to financial statements	9-17
SUPPLEMENTARY INFORMATION	
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	20-21
Schedule of findings and questioned costs	22
OTHER SUPPLEMENTARY INFORMATION	
Current and prior year findings and corrective action plan	24
Schedule of number of utility customers (unaudited)	25
Schedule of insurance in force (unaudited)	26
Accounts receivable aging schedule (unaudited)	27
Rate schedule for residential and commercial customers (unaudited)	28



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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund of Lafayette Parish Waterworks District North (District), a component unit of Lafayette Parish Consolidated Government, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of Lafayette Parish Waterworks District North, as of December 31, 2013 and 2012, and the respective changes in financial position and the cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lafayette Parish Waterworks District North. Such information, except for the portion marked "Unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting.

Darnall, Sikes, Gardes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
June 3, 2014

BASIC FINANCIAL STATEMENTS

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash	\$ 1,750,012	\$ 1,998,749
Receivables (net of allowance for uncollectible accounts - \$13,430 and \$13,430, respectively)	445,794	330,257
Prepaid expenses	<u>24,107</u>	<u>23,542</u>
Total current assets	<u>2,219,913</u>	<u>2,352,548</u>
Noncurrent assets:		
Restricted assets:		
Revenue bond and interest sinking account -		
Interest-bearing deposits	453,433	587,268
Revenue bond reserve account -		
Interest-bearing deposits	781,020	783,738
Revenue bond contingency account -		
Interest-bearing deposits	312,561	313,649
Customer deposits -		
Cash	<u>169,532</u>	<u>153,199</u>
Total restricted assets	1,716,546	1,837,854
Net capital assets	<u>6,896,588</u>	<u>6,888,428</u>
Total noncurrent assets	<u>8,613,134</u>	<u>8,726,282</u>
Total assets	<u>\$ 10,833,047</u>	<u>\$ 11,078,830</u>

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Current liabilities - (payable from current assets)		
Accounts payable	\$ 62,840	\$ 29,707
Accrued liabilities	21,561	7,165
Payroll liabilities	<u>5,190</u>	<u>4,443</u>
Total current liabilities - (payable from current assets)	<u>89,591</u>	<u>41,315</u>
Current liabilities - (payable from restricted assets)		
Membership deposits	77,175	9,462
Accrued interest payable	34,714	47,535
Revenue bonds payable	<u>322,000</u>	<u>247,127</u>
Total current liabilities - (payable from restricted assets)	<u>433,889</u>	<u>304,124</u>
Total current liabilities	523,480	345,439
Noncurrent liabilities -		
Revenue bonds payable	<u>4,343,493</u>	<u>4,787,307</u>
Total liabilities	<u>4,866,973</u>	<u>5,132,746</u>
Net position:		
Investment in capital assets, net of related debt	2,553,095	2,101,121
Restricted for debt service	1,190,300	1,389,993
Unrestricted	<u>2,222,679</u>	<u>2,454,970</u>
Total net position	<u>5,966,074</u>	<u>5,946,084</u>
Total liabilities and net position	<u>\$ 10,833,047</u>	<u>\$ 11,078,830</u>

See Independent Auditors' Report and notes to the financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Charges for services -		
Water sales and fees	<u>\$ 3,710,210</u>	<u>\$ 3,625,459</u>
Operating expenses:		
Cost of water sold	2,023,617	1,713,295
Contract labor	33,479	29,363
Professional fees	392,558	390,438
Depreciation expense	387,052	375,779
Amortization expense	81,649	4,639
Director fees	3,780	3,780
Insurance expenses	101,698	89,349
Repairs and maintenance	75,119	39,416
Utilities	12,720	3,383
Salaries and related benefits	195,043	185,047
Office expenses and supplies	<u>238,342</u>	<u>219,896</u>
Total operating expenses	<u>3,545,057</u>	<u>3,054,385</u>
Net operating income	<u>165,153</u>	<u>571,074</u>
Nonoperating revenues (expenses):		
Interest and investment income	5,292	2,331
Interest expense	(151,526)	(228,399)
Gain on sale of asset	-	3,870
Miscellaneous	<u>1,071</u>	<u>1,425</u>
Total nonoperating expenses	<u>(145,163)</u>	<u>(220,773)</u>
Change in net position	19,990	350,301
Net position, beginning	<u>5,946,084</u>	<u>5,595,783</u>
Net position, ending	<u>\$ 5,966,074</u>	<u>\$ 5,946,084</u>

See Independent Auditors' Report and notes to the financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$3,594,673	\$3,683,712
Payments to suppliers	(2,834,349)	(2,522,840)
Payments to employees	<u>(194,296)</u>	<u>(184,024)</u>
Net cash flows provided from operating activities	<u>566,028</u>	<u>976,848</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Principal paid on bonds	(450,590)	(232,685)
Interest paid on bonds	(164,347)	(229,951)
Acquisition and construction of capital assets	(395,212)	(142,123)
Proceeds from sale of capital assets	-	3,870
Gain on disposal of capital assets	-	(3,870)
Net increase (decrease) in membership deposits	67,713	(51,905)
Other receipts	<u>1,071</u>	<u>5,295</u>
Net cash flows used for capital and financing activities	<u>(941,365)</u>	<u>(651,369)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and investments	<u>5,292</u>	<u>2,331</u>
Net cash flows provided from investing activities	<u>5,292</u>	<u>2,331</u>
Increase (decrease) in cash and cash equivalents	(370,045)	327,810
Cash and cash equivalents, beginning of period	<u>3,836,603</u>	<u>3,508,793</u>
Cash and cash equivalents, end of period	<u>\$3,466,558</u>	<u>\$3,836,603</u>

(continued)

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Statements of Cash Flows (Continued)
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 165,153	\$ 571,074
Adjustments to reconcile operating income to net cash provided by operating activity:		
Depreciation	387,052	375,779
Amortization	81,649	4,639
Change in current assets and liabilities -		
Accounts receivable	(115,537)	58,253
Prepaid expenses	(565)	27,494
Accounts payable	33,133	(54,090)
Other liabilities	14,396	(7,324)
Payroll liabilities	747	1,023
Net cash provided by operating activities	<u>\$ 566,028</u>	<u>\$ 976,848</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$ 1,998,749	\$ 1,667,148
Cash - restricted	<u>1,837,854</u>	<u>1,841,645</u>
Total cash and cash equivalents	<u>3,836,603</u>	<u>3,508,793</u>
Cash and cash equivalents, end of period -		
Cash - unrestricted	1,750,012	1,998,749
Cash - restricted	<u>1,716,546</u>	<u>1,837,854</u>
Total cash and cash equivalents	<u>3,466,558</u>	<u>3,836,603</u>
Net increase (decrease)	<u>\$ (370,045)</u>	<u>\$ 327,810</u>

See Independent Auditors' Report and notes to the financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Lafayette Parish Waterworks District North (the District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

The Lafayette Parish Waterworks District North, which is a component unit of Lafayette Parish Consolidated Government, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing potable drinking water to the rural areas of Lafayette Parish. The District is governed by a board of commissioners composed of nine members appointed by Lafayette Parish Consolidated Government. Each board of commissioner serves a four year term and cannot serve more than twelve years.

This report is comprised of a proprietary fund that is administered by the District's board of commissioners and controlled by the Lafayette Parish Consolidated Government. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Lafayette Parish Consolidated Government and the general governmental services provided by that governmental unit.

Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Lafayette Parish Waterworks District North does not have governmental activities. Its operation is a business-type activity.

Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District maintains only one fund and it is described below:

Proprietary Fund –

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

The government wide and proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

Cash and Interest-bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

Investments

Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. As of December 31, 2013 the District has no investments.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items.

Bad Debts

Through the establishment of an allowance account, uncollectible amounts due from customer's utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

Capital Assets

Capital assets include property, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	30-40 years
Furniture, fixtures, and equipment	7-10 years

Compensated Absences

The District allows one week paid vacation after one year as a full-time employee. In recognition of length of continuous service to the District, additional vacation time is provided to the employee based upon years of service. Vacation is normally taken in the year accrued and cannot be carried over. Employees are allowed five days annually for excused absences, including sick leave. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment.

Equity Classifications

Equity is classified as net position and displayed in three components:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District uses unrestricted assets only when restricted assets are fully depleted.

Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (ASC 855) which establishes general standards for accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This is effective for financial periods ending after June 15, 2009. We have evaluated events subsequent to the balance sheet date through June 3, 2014, the date the financial statements were available to be issued.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2013 and 2012, the District had cash and interest-bearing deposits (book balances) totaling \$3,466,558 and \$3,836,603, respectively, as follows:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

	2013	2012
Demand deposits	\$ 1,333,175	\$ 1,563,531
Time deposits and money market accounts	<u>2,133,383</u>	<u>2,273,072</u>
Total	<u>\$3,466,558</u>	<u>\$3,836,603</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balances are categorized below to give an indication of the level of risk assumed by the District at December 31, 2013. Category 1 includes bank balances that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. Deposit balances (bank balances) at December 31, 2013, are unsecured as follows:

Bank balances	<u>\$3,522,011</u>
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At December 31, 2013, the deposits are secured as follows:

Federal deposit insurance	\$ 250,000
Pledged securities (Category 3)	969,096
Trust assets	<u>2,302,915</u>
	<u>\$3,522,011</u>

Even though pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 RESTRICTED ASSETS – PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at December 31:

	2013	2012
Revenue bond and interest sinking account	\$ 453,433	\$ 587,268
Revenue bond reserve account	781,020	783,738
Revenue bond contingency account	312,561	313,649
Customers' deposits	<u>169,532</u>	<u>153,199</u>
Total restricted assets	<u>\$ 1,716,546</u>	<u>\$ 1,837,854</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 4 CAPITAL ASSETS

A summary of changes in property and equipment follows:

	2013			
	Beginning Balance 1/1/2012	Increases	Decreases	Ending Balance 12/31/2013
Land	\$ 21,905	\$ -	\$ -	\$ 21,905
Buildings and improvements	408,514	-	-	408,514
Furniture, fixtures and equipment	197,457	56,051	-	253,508
Water system	10,529,729	339,161	-	10,868,890
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	11,157,605	395,212	-	11,552,817
Less: Accumulated depreciation	<u>(4,269,177)</u>	<u>(387,052)</u>	<u>-</u>	<u>(4,656,229)</u>
Net Utility Fund property, plant and equipment	<u>\$6,888,428</u>	<u>\$ 8,160</u>	<u>\$ -</u>	<u>\$6,896,588</u>
	2012			
	Beginning Balance 1/1/2011	Increases	Decreases	Ending Balance 12/31/2012
Land	\$ 21,905	\$ -	\$ -	\$ 21,905
Buildings and improvements	400,772	7,742	-	408,514
Furniture, fixtures and equipment	177,350	58,811	38,704	197,457
Water system	10,454,159	75,570	-	10,529,729
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	11,054,186	142,123	38,704	11,157,605
Less: Accumulated depreciation	<u>(3,932,102)</u>	<u>(337,075)</u>	<u>-</u>	<u>(4,269,177)</u>
Net Utility Fund property, plant and equipment	<u>\$7,122,084</u>	<u>\$ (194,952)</u>	<u>\$ 38,704</u>	<u>\$6,888,428</u>

Depreciation expense for the years ended December 31, 2013 and 2012 totaled \$387,052 and \$375,779, respectively.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 5 CHANGES IN LONG-TERM DEBT

The following is a summary of utility revenue bond transactions of the District for the year ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Long-term debt payable at January 1	\$5,113,316	\$5,349,419
Long-term debt retired and called	<u>406,316</u>	<u>236,103</u>
Long-term debt payable at December 31	<u>\$4,707,000</u>	<u>\$5,113,316</u>

Long-term debt payable at December 31 is composed of the following individual issues:

	<u>2013</u>	<u>2012</u>
Utility Revenue Bonds:		
\$950,000 Revenue Bonds, Series 1993, due in annual installments of \$60,610 through October 27, 2032; interest at 5.625 percent	\$ -	\$ 714,826
\$1,680,000 Revenue Bonds, Series 1998, due in annual installments of \$95,424 through October 27, 2035; interest at 4.75 percent	-	1,307,904
\$2,800,000 Revenue Bonds, Series 2004, due in annual installments of \$71,000 to \$296,000; interest at 3.45 percent	-	2,174,586
\$1,500,000 Refunding Bonds, Series 2005, due in annual installments of \$21,321 to \$140,094 through October 1, 2020; interest at 4.3 percent	-	916,000
\$5,113,316 Refunding Bonds, Series 2013, due in annual installments of \$136,000 to \$417,000 through October 1, 2027; interest at 2.95 percent	<u>4,707,000</u>	<u>-</u>
	4,707,000	5,113,316
Less: Current Portion	(322,000)	(247,127)
Less: Unamortized loss on refunding	-	(26,493)
Less: Unamortized bond issuance cost	<u>(41,507)</u>	<u>(52,389)</u>
	<u>\$4,343,493</u>	<u>\$4,787,307</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 5 CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debts outstanding at December 31, 2013 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 322,000	\$ 138,857	\$ 460,857
2015-2019	1,756,000	546,193	2,302,193
2020-2024	1,983,000	273,524	2,256,524
2025-2027	<u>646,000</u>	<u>31,270</u>	<u>677,270</u>
	<u>\$ 4,707,000</u>	<u>\$ 989,843</u>	<u>\$ 5,696,843</u>

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets and errors and omissions for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 7 FLOW OF FUNDS; RESTRICTIONS ON USE – UTILITY REVENUES

Under the terms of the respective bond indentures on the utility revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds. Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment. There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount equal to 25 percent of the amount to be paid into the sinking fund until the sum of \$469,262 has been accumulated. Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$1,305 per month. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system. All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose. The Lafayette Parish Waterworks District North was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2013.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 8 COMPENSATION OF BOARD MEMBERS

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 2013 follows:

	<u>Amount</u>
Jamie Broussard, President	\$ 480
Board members:	
Anna Rocca	300
Donald Richard	300
Dwayne Belaire	240
Jared Richard	240
Kenny Suire	540
Martin Mouton	300
Paul Champagne	600
Robert Marceaux	300
Tony Boudreaux	<u>480</u>
	<u>\$ 3,780</u>

NOTE 9 RELATED PARTY TRANSACTIONS

The District has an agreement with Lafayette Consolidated Government whereas, Consolidated Government installs certain services and sells water to certain District customers, collects the monthly billings from the customers, and remits the net amount collected to the District monthly after deducting charges and cost of water sold. Included in water sales and fees is \$2,189,537 billed by Lafayette Consolidated Government and included in cost of water sold is \$1,576,852 withheld by Lafayette Consolidated Government for cost of water sold and services installed.

SUPPLEMENTARY INFORMATION

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**



**Darnall, Sikes,
Gardes & Frederick**

(A Corporation of Certified Public Accountants)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and major fund of Lafayette Parish Waterworks District North (the District), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as item 13-1 that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Darnall, Sikes, Gardes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 3, 2014

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the Lafayette Parish Waterworks District North's financial statements as of and for the year ended December 31, 2013.

Control and Significant Deficiencies and Material Weaknesses - Financial Reporting

There was one significant deficiency (Internal Control Finding 13-1) and no material weaknesses in internal control over financial reporting disclosed during the audit of the financial statements.

Material Noncompliance - Financial Reporting

We noted no instances of material noncompliance during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended December 31, 2013.

Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

Internal Control Findings –

See Internal Control Finding 13-1 on Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan.

Part III Findings and Questioned Costs Relating to the Federal Programs

The audit did not disclose any material noncompliance or questioned costs relative to its federal programs.

Part IV Management Letter

The auditor did not issue a management letter this year.

OTHER SUPPLEMENTARY INFORMATION

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended December 31, 2013

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
CURRENT YEAR (12/31/13) --						
<u>Internal Control:</u>						
13-1	2007	The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Jamie Broussard, President	N/A
PRIOR YEAR (12/31/12) --						
<u>Internal Control:</u>						
12-1	2007	The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Donald Richard, President	N/A

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Water meters in service -		
Residential	9,177	9,006
Commercial	325	289

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 2013

<u>Description of Coverage</u>	<u>Expiration Dates</u>	<u>Coverage Amounts</u>
Surety bonds -		
Position bonds:	10/5/14	
President		\$ 160,000
Secretary/Treasurer		160,000
Administrative consultant		160,000
Commercial general liability -	4/9/14	
Each occurrence		1,000,000
General aggregate		3,000,000
Fire damage		1,000,000
Medical		10,000
Excess liability -	4/9/14	
Each occurrence		1,000,000
Aggregate		1,000,000
Property -	4/9/14	
Building		385,737
Business personal property		126,532
Miscellaneous property		250,000
Public officials liability insurance -	12/1/15	
Each occurrence		1,000,000
General aggregate		1,000,000
Flood -	10/10/14	
Building		377,400
Contents		69,900

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Accounts Receivable Aging Schedule
(Unaudited)
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Number of days -		
0-30	\$ 459,224	\$ 343,687
31-60	-	-
61-90	-	-
Over 90	-	-
Total	<u>\$ 459,224</u>	<u>\$ 343,687</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Rate Schedule for Residential and Commercial Customers
(Unaudited)
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
First 2,000 gallons -		
Residential		
3/4" meter size	\$ 15.50	\$ 15.50
1", 1-1/2" and 2" meter size	18.50	18.50
Commercial		
3/4" and 1" meter size	18.50	18.50
1-1/2" meter size	19.70	19.70
2" meter size	29.00	29.00
Every 1,000 gallons thereafter -		
Residential	2.90	2.90
Commercial	3.10	3.10